



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Enter into a Letter of Agreement Between the City of Lodi and Holz Rubber Company for the Sale of Designated Municipal Electric Distribution Facilities (\$54,678)

MEETING DATE: May 2, 2012

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into a Letter of Agreement between the City of Lodi and Holz Rubber Company for the sale of designated municipal electric distribution facilities in the amount of \$54,678.

BACKGROUND INFORMATION: Holz Rubber (HR) currently has five utility accounts serving their plant, which covers the 1100 and 1200 blocks of South Sacramento Street (both on the east side and west side of the street). One account is currently assigned to the G3-Primary rate tariff, one account to the G2 rate tariff, and three accounts to the G1 rate tariff.

The customer has chosen to physically aggregate the five existing electric meters/accounts, into one G4-Primary utility account and purchase existing Electric Utility Department (EUD) overhead electric distribution equipment, including six transformers and associated metering equipment. HR will pay the EUD \$54,678 for said facilities, a cost figure which includes labor to be performed by EUD line crews. HR will become responsible for future maintenance and replacement of the transferred equipment and their inherent electrical losses.

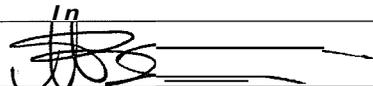
The proposed arrangement conforms to past practices and City Council-approved Electric Rules and Regulations. Over the past several years, the City has engaged in similar primary-metered projects with CertainTeed Corporation, Lodi Iron Works, Ralcorp/Cottage Bakery, Scientific Specialties Incorporated, and Schaefer Systems International. It is anticipated that this project will be completed in early summer.

FISCAL IMPACT: The initial sale of facilities and services will result in revenue to the EUD in the amount of \$54,678. Net fiscal impact is insignificant.

FUNDING: Not applicable.


Elizabeth A. Kirkley
Electric Utility Director

Prepared By: Rob Lechner, Manager, Customer Service & Programs
EAK/RSL/lst

APPROVED: 
Konradt Bartlam, City Manager

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

HOLZ RUBBER COMPANY

This Letter of Agreement (LOA) is between the City of Lodi (COL) and Holz Rubber Company (HR). By way of this signed LOA, HR agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, HR will purchase six transformers and designated overhead electric distribution facilities located at the customer's plant site in the 1100 and 1200 blocks of South Sacramento Street.

In purchasing the aforementioned equipment (transformers and overhead electric distribution facilities), HR also agrees to properly maintain said equipment and pay for all repairs necessary for maintaining said equipment in the event of equipment failure in perpetuity.

The total purchase price of the equipment and associated labor costs listed on Appendix A is in the amount of \$54,677.59. *Note: in the event that the labor required to perform this project occurs after COL operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and weekends), HR will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*

HR agrees to compensate the COL in the amount of \$10,000 prior to start of the project, and then payment of the balance in equal amounts the ensuing twenty-four (24) months until the balance is paid in full. The first monthly payment will be due two months following completion of said project.

IN WITNESS HEREOF, the parties hereto have entered into this Letter of Agreement dated May , 2012.

HOLZ RUBBER

CITY OF LODI, a municipal corporation

By: _____

By: _____

Konradt Bartlam
City Manager

Title: _____

ATTEST:

Randi Johl, City Clerk

APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney



APPENDIX 'A'

	Installation Cost	Depreciated Allowance	Buy Out Cost/Total
Purchase existing plant & install additional facilities	\$53924.29	\$0	\$53,924.29
Purchase existing overhead trans. Labor and material costs to install primary metering equipment	\$798.50	\$45.20	\$753.30
Total			\$54,677.59

Depreciation for overhead material (OHM) based on 40 years service life.

Depreciation for padmount transformer based on 30 years service life.

The scope of work includes, but is not limited to:

- 1) Underbuild a customer owned 12kV line.
- 2) Relocate 12 kV 3-phase metering facility.

RESOLUTION NO. 2012-51

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING
THE CITY MANAGER TO ENTER INTO A LETTER OF
AGREEMENT BETWEEN THE CITY OF LODI AND HOLZ
RUBBER COMPANY FOR THE SALE OF DESIGNATED
MUNICIPAL ELECTRIC DISTRIBUTION FACILITIES

WHEREAS, Holz Rubber Company has five utility accounts, one of which is assigned to the G3-Primary rate, one account to G2 rate tariff, and three accounts to G1 rate; and

WHEREAS, Holz Rubber Company is desirous of consolidating the five utility accounts into one G4-Primary account, and purchase existing Electric Utility Department overhead electric distribution equipment, which includes six transformers and associated metering equipment; and

WHEREAS, Holz Rubber Company will pay the City of Lodi Electric Utility Department \$54,677.59 to achieve this meter aggregation project and will be responsible for all future maintenance and replacement of the transferred equipment and its inherent electrical losses; and

WHEREAS, the proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to enter into a Letter of Agreement between the City of Lodi and Holz Rubber Company for the sale of designated municipal electric distribution facilities in the amount of \$54,677.59. This figure includes the purchase of six transformers, electric utility distribution equipment and labor costs associated with the installation of said equipment, and upgrading the existing system to accommodate the customer's need.

Dated: May 2, 2012

I hereby certify that Resolution No. 2012-51 was passed and adopted by the City Council of the City of Lodi in a regular meeting held May 2, 2012, by the following Vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Katzakian, and Mayor Mounce

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Nakanishi

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHTI
City Clerk